

CARNATION INDUSTRIES LIMITED



**23rd Annual Report
2005-06**



REGISTERED

23rd Annual Report 2005-2006

BOARD OF DIRECTORS

MR. P. M. NARIELVALA	- Non-Executive Chairman
MR. R. P. SEHGAL	- Managing Director
MR. SUVOBRATA SAHA	- Additional Director
MR. ARUN BOSE	- Additional Director
MR. RAJESH KR. PANDEY	- Director

REGISTERED OFFICE

28/1, JHEEL ROAD,
SALKIA, HOWRAH - 711 106.
PHONE : (033) 2645 4785/90

CORPORATE & HEAD OFFICE

222, A. J. C. BOSE ROAD,
1 ST FLOOR, ROOM NO. 4 & 5,
KOLKATA - 700 017.
PHONE : (033) 2247 2256/8229
FAX NO.: (033) 2247 9938

AUDIT COMMITTEE

MR. P. M. NARIELVALA
MR. RAJESH KR. PANDEY

REGISTRARS

AMI COMPUTERS INDIA LTD.
60A & B, CHOWRINGHEE ROAD,
KOLKATA - 700 020.
PHONE : (033) 2280 0812/0900
FAX : (033) 2280 0901

SHARE HOLDERS/ INVESTORS**GRIEVANCE COMMITTEE**

MR. RAJESH KR. PANDEY
MR. R. P. SEHGAL

SOLICITORS

R. GINODIA & CO.
4E & F, HASTINGS CHAMBER
7C, KIRAN SHANKAR ROY ROAD,
KOLKATA - 700 001

**CHIEF FINANCIAL OFFICER &
COMPANY SECRETARY**

MR. S. K. AGARWAL

AUDITORS

M/s JAIN & BAGARIA
CHARTERED ACCOUNTANTS
27/8A, WATERLOO STREET,
KOLKATA-700 069.

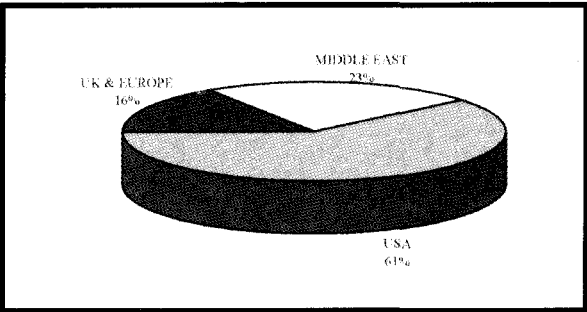
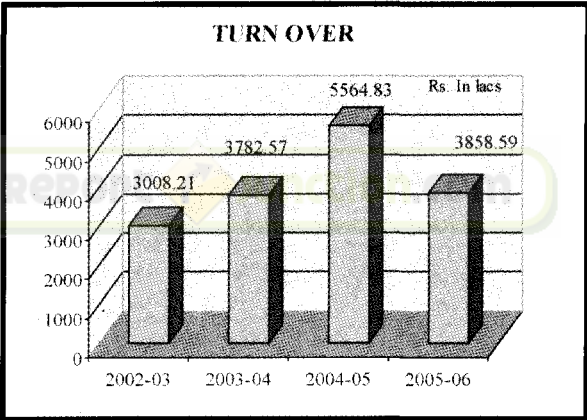
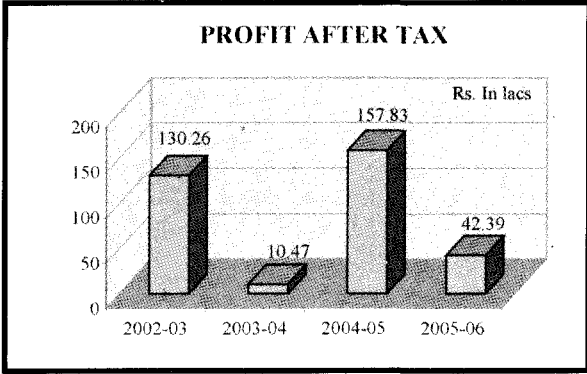
BANKERS

STATE BANK OF HYDERABAD
PUNJAB NATIONAL BANK

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GOLDEN JUBILEE AWARD FOR MD, MR. R. P. SEHGAL



Mr. R. P. Sehgal, MD, Carnation Industries Limited
received the Golden Jubilee Award at the EEPIC-ER,
Golden Jubilee Function at Kolkata from the hands of
Hon'ble Chief Minister of West Bengal,
Mr. Buddhadeb Bhattacharya

NATIONAL AWARD FOR CARNATION INDUSTRIES LTD.



Mr. R. P. Sehgal, MD receiving award for export excellence from the hands of Mr. Kamal Nath, Hon'ble Commerce Minister

EASTERN REGION AWARD FOR CARNATION INDUSTRIES



Mr. R. P. Sehgal, MD at the award function for Eastern Region with Mr. Somnath Chatterjee, Hon'ble Speaker of Lok Sabha

NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the company will be held on Wednesday, 2nd August, 2006 at 10.00 A.M. at "SARAT SADAN", 5, Mahatma Gandhi Road, Howrah – 711 101 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date along with the report of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. P.M. Narielvala who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditor of the company and to fix their remuneration.

SPECIAL BUSINESS**ITEM NO.5**

To consider and if thought fit to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT, Mr. Suvabrata Saha who was appointed as an Additional Director of the company by the Board of Directors under Section 260 of the Companies Act, 1956 and Article 115 of the Articles of Association of the company and who holds office upto the date of the Annual General Meeting and in respect of which the company has received a notice in writing proposing his candidature for the office of a Director be and is hereby appointed as a Director of the company liable to retire by rotation".

ITEM NO.6

To consider and if thought fit to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT, Mr. Arun Bose who was appointed as an Additional Director of the company by the Board of Directors under Section 260 of the Companies Act, 1956 and Article 115 of the Articles of Association of the company and who holds office upto the date of the Annual General Meeting and in respect of which the company has received a notice in writing proposing his candidature for the office of a Director be and is hereby appointed as a Director of the company liable to retire by rotation".

By order of the Board

Place : Kolkata
Date : 30th June, 2006

(S. K. AGARWAL)
CFO & Company Secretary

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NOTES

1. An explanatory statement under section 173(2) of the Companies Act, 1956 is annexed herewith and forms part of this Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Instrument of Proxy should however be deposited at the Registered Office of the Company atleast 48 hours before the meeting.
4. The Register of Members and Share Transfer Books of the company will remain closed from 27.07.06 to 02.08.06 (both days inclusive) for ascertaining the eligibility of members for the purpose of payment of dividend on Equity Shares. The Dividend on Equity Shares as recommended by the Directors, if approved, at the meeting will be payable to those Shareholders whose name shall appear in the Register of Members as on 02.08.06. In respect of shares held in electronic form, the dividend will be paid on the basis of the Beneficial Ownership as per details furnished by National Securities Depository Limited / Central Depository Services Limited for the above purpose.
5. Members are requested to send to the Registrar his/her Bank Account details to ensure safe and prompt receipt of dividend cheque/warrant and to avoid any fraudulent encashment of such cheque/warrant.
6. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
7. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.

By order of the Board

Place : Kolkata
Date : 30th June, 2006

(S. K. AGARWAL)
CFO & Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 5**

Mr. Suvabrata Saha was appointed as an Additional Director of the company by the Board in the meeting held on 15th April, 2006 in accordance with Section 260 of the Companies Act, 1956 and Article of Association of the company. He holds office upto the date of the Annual General Meeting of the company. The company has received notice proposing his candidature for the office of the Director of the company.

The Board recommends acceptance of the resolution by the members.

None of the Directors except Mr. Suvabrata Saha shall be deemed to be concerned or interested in the above resolution.

ITEM NO. 6

Mr. Arun Bose was appointed as an Additional Director of the company by the Board in the meeting held on 15th April, 2006 in accordance with Section 260 of the Companies Act, 1956 and Article of Association of the company. He holds office upto the date of the Annual General Meeting of the company. The company has received notice proposing his candidature for the office of the Director of the company.

The Board recommends acceptance of the resolution by the members.

None of the Directors except Mr. Arun Bose shall be deemed to be concerned or interested in the above resolution.

By order of the Board

Place : Kolkata
Date : 30th June, 2006

(S. K. AGARWAL)
CFO & Company Secretary

23rd Annual Report 2005-2006**Details of Directors seeking Re-appointment at the 23rd Annual General Meeting**

Name of the Director	Mr.P.M.Narielvala	Mr.Suvobrata Saha	Mr.Arun Bose
Date of Birth	12.07.1926	04.09.1961	05.01.1937
Date of Appointment	26.12.1994	15.04.2006	15.04.2006
Qualification	B.A.,L.L.B, FCA, FCA (England & Wales)	B.Com	Metallurgical Engineer(U.K.) Furnace Technologist (Germany)

Expertise in specific Functional Areas	Has rich experience in the field of Accounts, Taxation & Law.	Has long experience in managing big Organization and Marketing of casting Products all over the World.	40 years experience in Foundry Industry.
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Director

List of Companies in Which other Directorship held	Eri-Tech Ltd. Corporate Health Check Services Pvt. Ltd. White Cliff Tea Pvt. Ltd.	NIL	NIL
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Chairman/Member of the Committee of the Board of the Companies in which he is a Director	Carnation Industries Ltd. White Cliff Tea Pvt. Ltd.	NIL	NIL
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Shareholding in the Company (No. of Equity Shares)	500	NIL	200
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CARNATION Industries Limited

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Directors are pleased to present the Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2006.

FINANCIAL PERFORMANCE

	(Rs. in Lacs)	
	For Year ended 31.03.2006	For Year ended 31.03.2005
Export Sales (Net of Freight)	3837.79	5459.53
Local Sale	20.80	105.30
Gross Profit (before Depreciation)		
Interest & Finance charges)	250.50	449.68
Interest & Finance charges	114.37	125.76
Depreciation	67.62	65.03
Profit before Tax	68.51	258.89
Provision for Tax		
- Current	49.68	100.00
- Deferred	(25.79)	1.06
- Fringe Benefit	2.23	—
Profit after Tax	42.39	157.83
Profit /(Loss) Brought forward	155.05	370.29
Available for Appropriation	197.44	528.12
Proposed Dividend	20.74	20.40
Dividend Tax	2.91	2.67
Transfer to General Reserve	4.24	350.00
Surplus carried to Balance Sheet	169.55	155.05

FINANCIAL REVIEW

The Export Sale (Net of freight) of the company was Rs.3837.79 lacs during the year as compared to Rs.5459.53 lacs during the last year. During the year the company also made local sale of its products amounting to Rs. 20.80 lacs as against Rs.105.30 lacs during the last year. The Profit after Tax (after providing for deferred tax) for the year was Rs.42.39 lacs as compared to Rs.157.83 lacs during the last year. Such a significant drop in profitability and turnover was mainly due to the reason that the company's major buyer, M/s Pipeline Components Inc. (PCI), U.S.A. who was buying about 65% of its total turnover, has been taken over by a renowned company, M/s Sigma Corporation, U.S.A. and your company had to give discount of Rs.160.46 lacs on its total receivable from M/s Pipeline Components Inc.(PCI), U.S.A. Further M/s Sigma Corporation, U.S.A. has agreed to buy the product of the company and your company had to change its production procedure, quality norms etc. to comply with the requirements of M/s Sigma Corporation, U.S.A. Your company has taken all steps to enhance its sales volume, realize better price for its products and reduce cost by way of cost control measures to negate the effect of above major buyer being taken over by another company.